

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON

In re:

NORTHWEST TERRITORIAL MINT,
LLC

Debtor

Case No. 16-11767-CMA
Chapter 11

**OBJECTION TO MOTION TO
CONVERT TO CHAPTER 7**

COMES NOW Bill Atalla, former CEO of the debtor, and makes the following objection to the motion of the trustee to convert this case to Chapter 7. The estate is hopelessly administratively insolvent, and conversion would simply add another layer of administrative expense, to the detriment of existing administrative claimants. The estate can be wound up and the case dismissed without conversion. Therefore, conversion is not in the best interest of creditors or the estate.

Atalla was hired by the trustee, Mark Calvert, to be the CEO of the debtor during the Chapter 11 case. Atalla's employment was approved by order dated February 7, 2017 (ECF #897). Atalla has made a claim for unpaid compensation and unreimbursed expenses in the amount of over \$220,000. This claim has priority as a cost of administration.

The trustee's motion to convert contains scant information about the financial condition of the estate. However, based on Atalla's knowledge of the case, a review of the docket, and discussions with trustee's counsel, it is clear that there are now and will continue to be insufficient assets to pay all allowed and allowable administrative claims

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1 in full.

2 Chapter 7 administrative expenses have priority over Chapter 11 administrative
3 expenses. Bankruptcy Code §726(b). Thus, the administrative expense claims of the
4 trustee and the attorneys and other professionals who assist him in the Chapter 7 phase
5 of the case will be paid in full, to the detriment of existing administrative claimants.
6 There is no prospect whatsoever of a dividend to pre-petition unsecured creditors.

7 The grounds for conversion of a Chapter 11 case to Chapter 7 are set forth in
8 Bankruptcy Code §1112(b)(4). The trustee has sought conversion under subsection
9 1112(b)(4)(A). Although there is clearly the absence of a reasonable likelihood of
10 reorganization here, there is no showing of imminent danger of continuing loss or
11 diminution of the estate, which is also required by subsection 1112(b)(4)(A). Nor has the
12 trustee explained how conversion, in and of itself, will reduce the ongoing expenses of
13 the estate. In fact, they are likely to increase those expenses, as the estate will bear the
14 cost of conducting a post-conversion Section 341 meeting and preparing post-conversion
15 schedules, if for nothing else.

16 Nor is conversion in the best interest of creditors. As the trustee admits, the estate
17 is administratively insolvent (although the trustee has not provided any meaningful
18 disclosure of the degree of insolvency). Therefore, the \$50 million of unsecured creditors
19 cited by the trustee will receive nothing out of this case. There is no reason to convert
20 the case for their benefit. Nor will the debtor, as a corporation, receive a discharge
21 under Bankruptcy Code §727, so there is no reason to convert the case for the debtor's
22 benefit. So who will benefit from conversion? Only the trustee and his professionals.

23 Bankruptcy Code §1112 gives the Court discretion to convert or dismiss a
24 Chapter 11 case, whichever is in the best interests of creditors. Atalla respectfully
25 submits that a far fairer and more economical alternative to conversion would be a

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1 structured dismissal, consisting of the following steps:

- 2 1) Set an administrative claim bar date;
- 3 2) Enter an order allowing and disallowing administrative claims;
- 4 3) Disburse the available funds pro-rata to allowed administrative claims;
- 5 4) Dismiss the case.

6 The administrative expenses incurred in this case were incurred on the trustee's
7 watch. While not impugning the sincerity of the trustee's efforts to hit a home run for
8 creditors in this case, Atalla believes it is not unfair for the trustee to bear some
9 responsibility for the administrative insolvency of the estate, even if that responsibility is
10 limited to requiring the trustee to administer the structured dismissal described above.

11 The motion to convert should be denied.

12 Dated: April 19, 2018

13 DONALD A BAILEY
14 Attorney at Law

15 /s/ Donald A Bailey
16 WSB#12289
17 Attorney for Bill Atalla

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